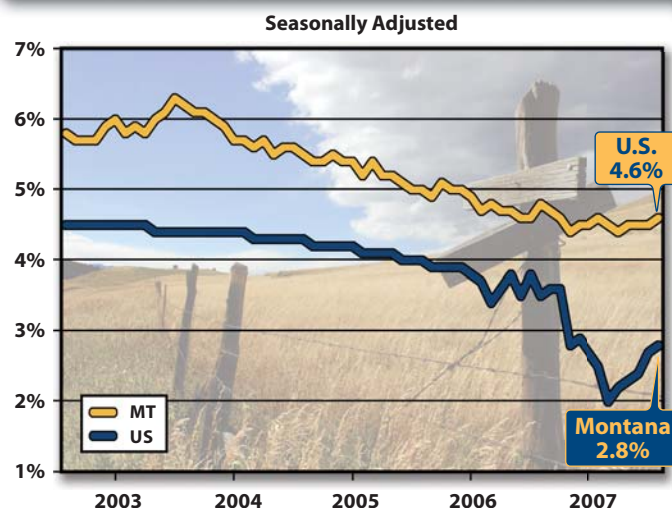


# Montana Economy at a Glance

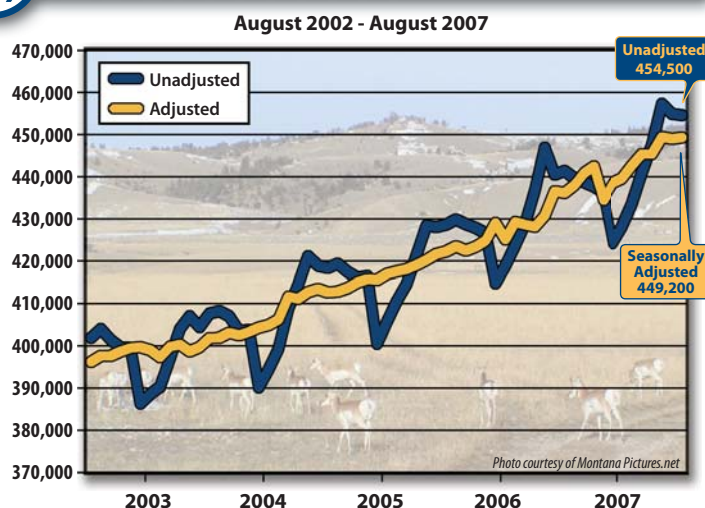
## UNEMPLOYMENT RATE



## NONFARM EMPLOYMENT

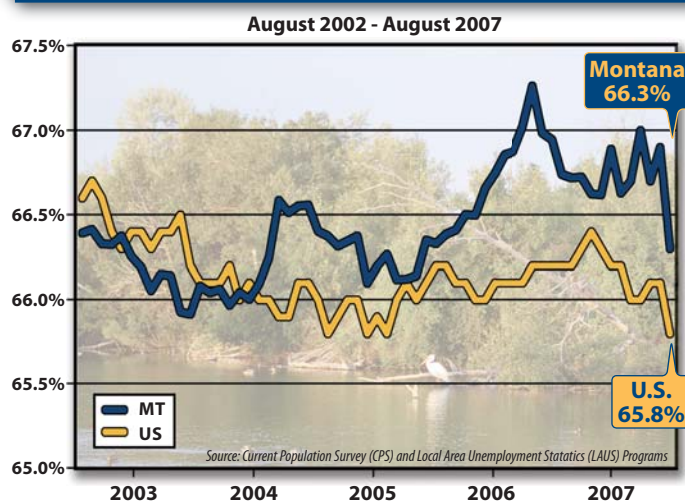


Montana's seasonally adjusted unemployment rate rose to 2.8% in August 2007 from 2.7% in July. The U.S. rate remained steady at 4.6% over the month.



Montana's seasonally adjusted nonagricultural payroll employment increased by 300 jobs (0.1%) from July to August 2007. Total Government experienced the largest gain with 300 (+0.3%) jobs added. Education & Health Services also experienced an increase, with 200 (+0.3%) additional jobs, while Construction gained 100 (+0.3%).

## LABOR FORCE PARTICIPATION



Labor force participation rates dropped for both Montana and the U.S. between July and August. Montana is still well above the national average, however, and has outpaced the national rate for over two years.

## EMPLOYMENT BY INDUSTRY

Industry Employment (in thousands)	Aug. <sup>(P)</sup> 2007	July 2007	Net Change	Percent Change
Total Non-Agricultural	449.2	448.9	0.3	0.1%
Natural Resources & Mining	8.8	9.0	-0.2	-2.2%
Construction	33.7	33.6	0.1	0.3%
Manufacturing	20.7	20.7	0.0	0.0%
Trade, Transportation, Utilities	91.2	91.2	0.0	0.0%
Information	7.6	7.6	0.0	0.0%
Financial Activities	22.1	22.2	-0.1	-0.5%
Professional & Business Services	40.1	40.1	0.0	0.0%
Education & Health Services	58.8	58.6	0.2	0.3%
Leisure & Hospitality	58.4	58.4	0.0	0.0%
Other Services	17.4	17.4	0.0	0.0%
Total Government	90.4	90.1	0.3	0.3%

*(P) denotes preliminary figures*



# Addressing the Coming Labor Shortage

By Tyler Turner

## Projected Labor Shortage

Montana's population is getting older. The number of retirees moving to the state is increasing and the resident population is losing younger generations who leave in search of new opportunities. Over time, greater pressure will be placed on the economy to provide services to the older portion of its population. Though increases in capital investments and worker productivity will help to offset a decline in the number of workers, the demand for new workers will still be a source of pressure.

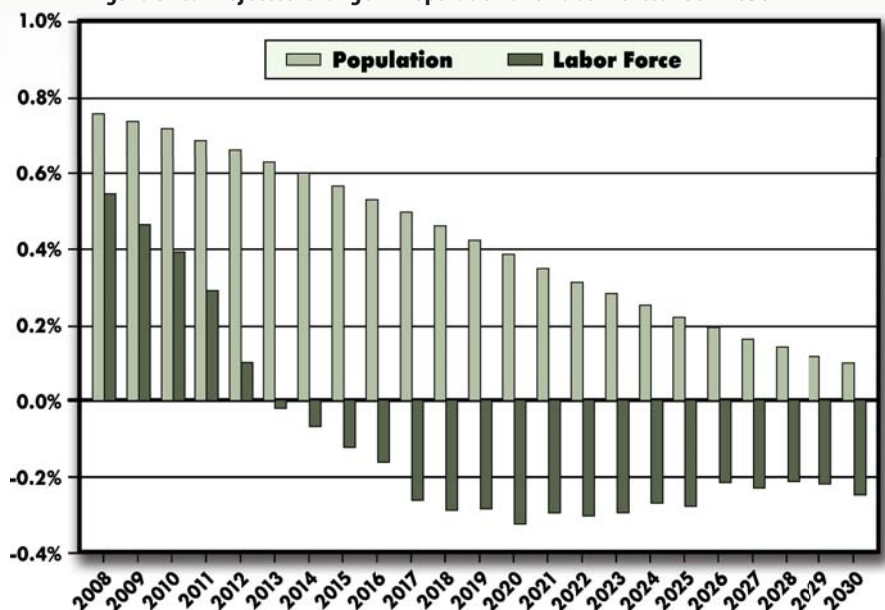
Figure One shows projected change in Montana's population and labor force over the next twenty-five years. The data show that the state's population will continue to expand over much of this time period; however, the same is not true for the state's labor force. Participation is projected to decline in 2013, and will remain negative for a number of years.

## Effects of Age on Employment

The projected decline in labor force can be tied to a lack of new workers available to replace older retirees. Figure Two shows the projected change in employment over the next twenty-five years for younger and older workers. The results look similar to the change in population for a number of years, but around 2020, employment among older workers begins to show yearly declines.

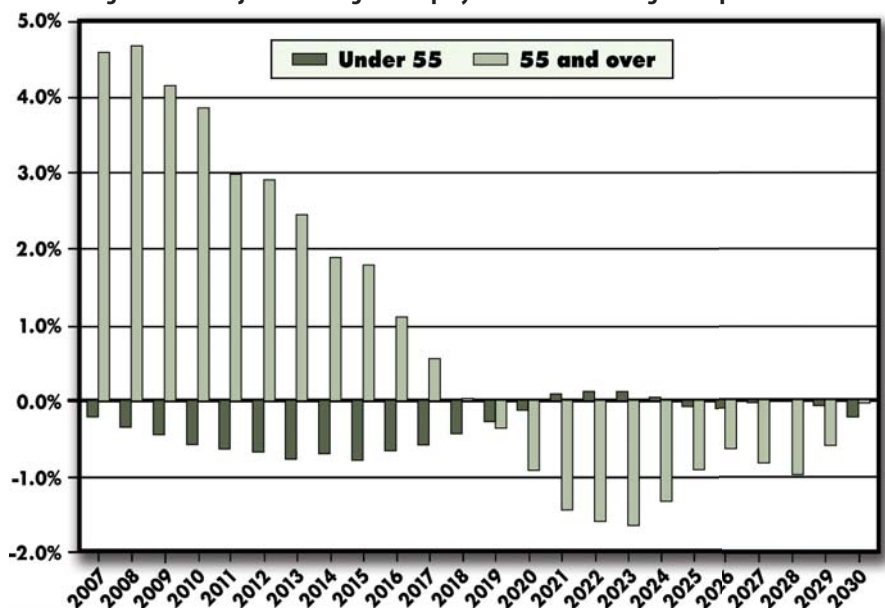
This is due to the advancing age of workers over fifty-five, and it highlights the main problem with relying on increases in older workers to boost employment. These workers can only be used as a short-term source for meeting workforce demand, because they will eventually retire. If present trends persist, Montana can expect declines in its younger population and workforce, long term-increases in its older population, and short-term increases in older workers, followed by rapid declines.

Figure One: Projected Change in Population and Labor Force: 2007-2030



Source: Bureau of Labor Statistics and Census Bureau

Figure Two: Projected Change in Employment for Various Age Groups: 2007-2030



Source: Bureau of Labor Statistics and Census Bureau

Solving the potential shortage of workers is not as simple as drawing more Montanans into the workforce. Though some residents of the state will decide to enter the labor force, there will not be enough to halt the decline in labor force participation. In order to reverse this trend, a combination of in-state and out-of-state workers must be found.

### Sources of New Workers – Inside Montana

Montana's current economic conditions have created a very tight labor market, as seen through the low unemployment rate and fast levels of growth in jobs and wages. This has drawn new workers into the labor force, but there are still many viable workers who remain outside the job market. The data in Figure Two show that older workers will play a large role in the state's labor force in the future. Increasing employment among this group will be a key component of any efforts to combat declining labor force participation.

Efforts to draw more of these individuals into the workforce are necessary to stem short-term shortages. However, getting these workers involved is not as simple as offering them jobs or increasing their pay. Many are near retirement and don't need to remain employed or have saved enough money to offset monetary incentives being offered by businesses. If employers wish to draw this group into the workforce, they must find alternative means of compensating these employees. One method of doing this is offering flexible work schedules. Another is to offer health-care benefits, instead of higher levels of pay. Many older Montanans are in need of either primary or supplemental insurance. Businesses can provide this as a form of payment, while adjusting wages to lower levels.

Other groups which will play important roles include individuals with less-developed skill sets (such as high-school dropouts). Among high school dropouts, a lack of basic skills keeps many out of the workforce. This is due, in part, to employers' belief that they are not capable of carrying out the tasks required in their business. By providing opportunities to complete high school or attend a post-secondary institution, these individuals can improve their skills and send a signal to employers that they are willing to stay committed to a task and are capable of learning.

American Indians are another source of potential labor. Historically, this group has been under-represented in the state's workforce. Efforts to draw in this young, sub-group of the population could have a significant impact on Montana's labor force. Though challenges exist in drawing in workers from this group, including location and cultural

differences, businesses willing to locate on or near reservations and work with Tribal leaders will have access to the largest untapped labor pool in the state.

### Sources of New Workers – Outside Montana

Montana has several sources of potential labor within its borders. However, these sources will not provide enough new workers to meet the needs of businesses in the future. Montana must begin to attract workers from outside the state if it wants to maintain the high levels of growth seen over the past few years.

One source of outside labor is expatriates. Montana is well known for being a low wage state. Over time, residents of the state have left in search of better opportunities elsewhere. As economic conditions improve in the state, it is important that some of these individuals are recruited back to Montana. Not only will these individuals provide a source of labor, they will also bring new business ideas and strategies to the state.

Industries such as mining, and oil and gas exploration are in desperate need of skilled workers. The skills they need most can be found in workers who have recently been laid off in other parts of the country. Employees from auto plants, heavy manufacturing facilities, and steel-mills all possess the necessary abilities to work in Montana. Attracting these workers to the state will benefit businesses and workers, and will help maintain the high levels of growth in these industries.

Finally, Montana needs to encourage legal immigrants to come to the state. Attracting immigrants will help provide labor for many low-skilled positions which are currently going unfilled. Other states have large pools of legal immigrants which Montana could recruit. Businesses in the state could also become more aggressive in utilizing worker visas to fill high-skilled occupations.

### Conclusion

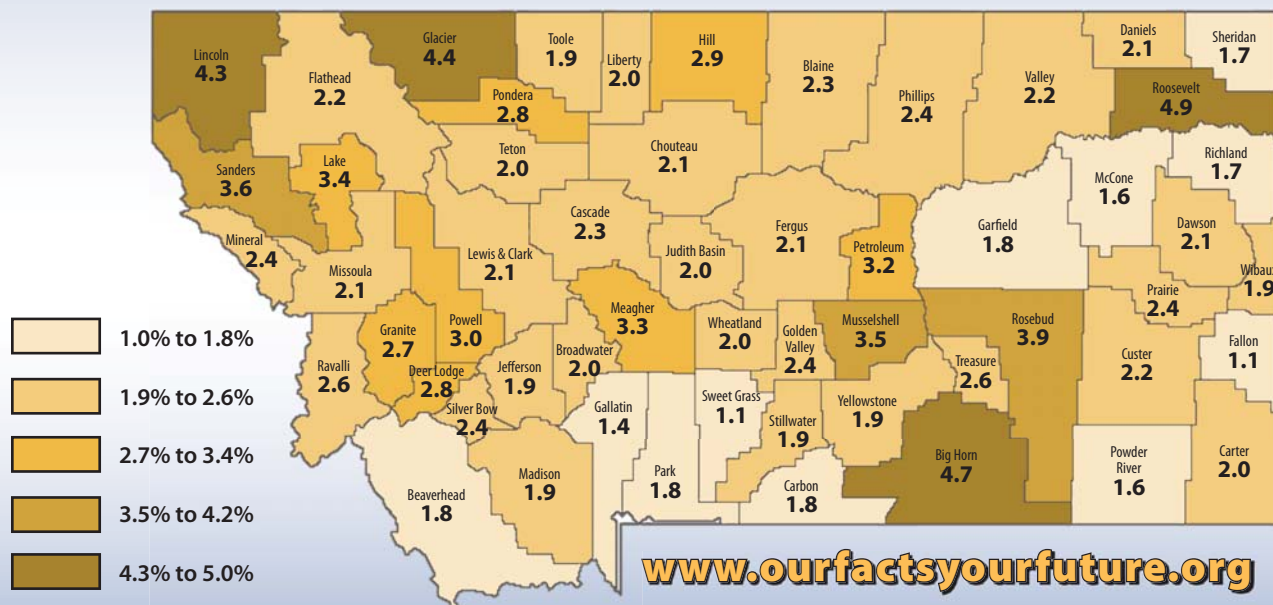
If current trends persist, Montana will face a deficit of workers in the coming years, which will be the result of an aging population. At the same time, Montana may see an economy which continues to expand and which will require new sources of labor. If the state's economic growth continues, it must meet the challenges presented by its changing population. Attracting new workers to the labor force, both from within the state and from other states and nations, will be necessary.



## COUNTY UNEMPLOYMENT RATES (NOT SEASONALLY ADJUSTED)

**Montana Average Rate: 2.2%**

**Please note:** The Federal Bureau of Labor Statistics has recently revised unemployment rates for individual counties from 2000 to the current. Statewide unemployment rates were not affected by these revisions. If you have any questions, please contact Tyler Turner at [tturner@mt.gov](mailto:tturner@mt.gov) or (406) 444-2992.



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